

SENATE BILL 3170  
By Williams

AN ACT to amend Tennessee Code Annotated, Title 67,  
relative to tobacco taxes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 67, Chapter 4, Part 10, is amended by adding the following as a new, appropriately designated section:

Section 67-4-1030.

(a) A manufacturing distributor or a wholesale dealer and jobber of tobacco products may deduct the amount of bad debts from the tax levied under this part. The amount deducted must be charged off as uncollectible on the books of the manufacturing distributor or the wholesale dealer and jobber. If a person pays all or part of a bad debt with respect to which a manufacturing distributor or a wholesale dealer and jobber, claimed a deduction under this section, the manufacturing distributor or the wholesale dealer and jobber shall be liable for the amount of taxes deducted in connection with that portion of the debt for which payment is received and shall remit these taxes in their next payment to the department under this part.

(b) Any claim for a bad debt deduction under this section shall be supported by the following:

- (1) A copy of the original invoice;
- (2) Evidence that the tobacco products described in the invoice were delivered to the person who ordered them; and
- (3) Evidence that the person who ordered and received the tobacco products did not pay the manufacturing distributor or the wholesale dealer and jobber for the tobacco products and that the manufacturing distributor or the

wholesale dealer and jobber, used reasonable collection practices in attempting to collect the debt.

(c) As used in this section, "bad debt" means the taxes attributable to any portion of a debt that is related to a sale of tobacco products subject to tax under this part that is not otherwise deductible or excludable, that has become worthless or uncollectible in the time period between the date when taxes accrue to the state for the manufacturing distributor's or the wholesale dealer and jobber's, preceding tax return and the date when taxes accrue to the state for the present return, and that is eligible to be claimed, or could be eligible to be claimed if the manufacturing distributor or the wholesale dealer and jobber kept accounts on an accrual basis, as a deduction pursuant to § 166 of the Internal Revenue Code. A bad debt shall not include any interest on the wholesale price of a tobacco product, uncollectible amounts on property that remains in the possession of the manufacturing distributor or the wholesale dealer and jobber, until the full purchase price is paid, expenses incurred in attempting to collect any account receivable or any portion of the debt recovered, any accounts receivable that have been sold to a third party for collection, and repossessed property.

SECTION 2. This act shall take effect July 1, 2006, the public welfare requiring it.